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If you have sold or transferred all your shares in Chiho-Tiande Group Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



CHHO-TIANDE GROUP LIMITED

齊合天地集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 976)

**PROPOSED GRANT OF SHARE OPTIONS
TO SUBSTANTIAL SHAREHOLDERS
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE NEW MASTER PURCHASE AGREEMENT
FOR THE SUPPLY OF METAL SCRAP TO
SIMS METAL MANAGEMENT ASIA LIMITED
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



All capitalised terms used in this circular shall have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 20 of this circular. A letter from the Independent Board Committee is set out on pages 21 and 22 of this circular. A letter from Guangdong Securities containing its advice to the Independent Board Committee and the Group II Independent Shareholders is set out on pages 23 to 31 of this circular.

The notice convening the EGM to be held at Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Thursday, 24 May 2012 at 2:30 p.m. (or so soon thereafter as the annual general meeting of the Company convened on the same date and at the same place at 2:00 p.m. shall have been concluded) is set out on pages 44 to 46 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

24 April 2012

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Announcement”	the announcement of the Company dated 28 March 2012 in relation to, among other things, the Proposed Grant and the Continuing Connected Transactions;
“Annual Caps”	the expected maximum aggregate annual values of the Products to be purchased by the Sims Asia Group from the Group under the New Master Purchase Agreement within the relevant periods during the Term;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Associated Corporation(s)”	has the meaning ascribed to it in Part XV of the SFO;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business;
“BVI”	British Virgin Islands;
“CCT Resolution”	the ordinary resolution of the Company to approve the Continuing Connected Transactions by the Group II Independent Shareholders at the EGM;
“Company”	Chiho-Tiande Group Limited, a company incorporated in the Cayman Islands and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 976);
“connected person”	has the meaning ascribed to it in the Listing Rules;
“continuing connected transactions”	has the meaning ascribed to it in the Listing Rules;
“Continuing Connected Transactions”	the entering into of the New Master Purchase Agreement and the transactions contemplated thereunder;
“controlled corporation(s)”	has the meaning ascribed to it in Part XV of the SFO;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;

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“Convertible Bonds”	the three-year 4% coupon convertible bonds in the aggregate principal amount of HK\$815,800,000 issued by the Company on 1 March 2012 and convertible into Shares at an initial conversion price of HK\$6.00 per Share (subject to adjustments);
“Date of Grant”	28 March 2012;
“Delco”	Delco Participation B.V., a company incorporated in the Netherlands and a substantial shareholder holding approximately 22.11% of the existing issued share capital of the Company as at the Latest Practicable Date;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Thursday, 24 May 2012 at 2:30 p.m. (or so soon thereafter as the annual general meeting of the Company convened on the same date and at the same place at 2:00 p.m. shall have been concluded) for the purpose of considering and if, thought fit, approving the EGM Matters;
“EGM Matters”	the matters to be put forward to the Shareholders for consideration and, if thought fit, approval at the EGM, which include the Proposed Grant and the Continuing Connected Transactions;
“Existing Master Purchase Agreement”	the master purchase agreement entered into on 16 February 2012 between the Company and Sims Asia in respect of the purchase of the Products by the relevant member(s) of the Sims Asia Group from the relevant member(s) of the Group during the term between 1 February 2012 and 31 May 2012;
“Grantees”	certain Directors and employees of the Company;
“Green Elite”	Green Elite Limited, a company incorporated in the BVI and a Shareholder holding approximately 5.76% of the existing issued share capital of the Company as at the Latest Practicable Date;
“Group”	the Company and its subsidiaries from time to time;
“Group I Independent Shareholders”	all Shareholders other than all connected persons of the Company;

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“Group II Independent Shareholders”	all Shareholders other than Sims and its associates;
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and appointed as the independent financial adviser to the Independent Board Committee and the Group II Independent Shareholders in relation to the Continuing Connected Transactions;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“HWH”	HWH Holdings Limited, a company incorporated in the BVI, a substantial shareholder holding approximately 30.43% of the existing issued share capital of the Company as at the Latest Practicable Date;
“Independent Board Committee”	a board committee comprising all independent non-executive Directors established by the Board to advise the Group II Independent Shareholders on the Continuing Connected Transactions;
“Latest Practicable Date”	20 April 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	31 May 2012 or such later date as the Parties may agree in writing;
“Master Supply Agreement”	the supply agreement entered into between the Company and Sims Asia on 16 January 2012 in relation to the supply of mixed metal scrap by the Sims Asia Group to the Group for the term commencing on 16 January 2012 and expiring on 31 December 2012, as disclosed in the announcement and the circular of the Company dated 17 January 2012 and 9 February 2012, respectively;

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;
“Mr. de Leeuw”	Mr. Herman Maurits de Leeuw, one of the controlling shareholders of Delco;
“Mr. Fang”	Mr. Fang Ankong, the Chairman of the Company, an executive Director and a controlling shareholder of the Company;
“Mr. Gu”	Mr. Gu Liyong, an executive Director;
“Mr. Lion”	Mr. Michael Charles Lion, a non-executive Director;
“Mr. van Ooijen”	Mr. Stephanus Maria van Ooijen, an executive Director and a controlling shareholder of the Company;
“New Master Purchase Agreement”	the master purchase agreement entered into on 28 March 2012 between the Company and Sims Asia in respect of the purchase of the Products by the relevant member(s) of the Sims Asia Group from the relevant member(s) of the Group during the Term;
“Option”	the call option granted by Delco in favour of Sims in respect of 20,837,095 Shares (subject to adjustments) pursuant to a sale and purchase agreement dated 17 January 2012 entered into between, among others, Delco and Sims;
“Parties”	collectively, the Company and Sims Asia, and a “ Party ” shall mean any of them;
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules;
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 23 June 2010;
“PRC”	the People’s Republic of China, excluding for the purpose of this circular, Hong Kong, Taiwan and the Macau Special Administrative Region;
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 23 June 2010;

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“Products”	the products which may from time to time be purchased by the relevant member(s) of the Sims Asia Group from the relevant member(s) of the Group which include copper scrap under the New Master Purchase Agreement;
“Proposed Grant”	the conditional grant of Share Options to Mr. Fang and Mr. van Ooijen to subscribe for 16,500,000 Shares and 2,000,000 Shares, respectively;
“Proposed Grant Resolution No. 1”	the ordinary resolution to be proposed for approval by the Group I Independent Shareholders at the EGM to approve the grant of Share Options to Mr. Fang to subscribe for 16,500,000 Shares;
“Proposed Grant Resolution No. 2”	the ordinary resolution to be proposed for approval by the Group I Independent Shareholders at the EGM to approve the grant of Share Options to Mr. van Ooijen to subscribe for 2,000,000 Shares;
“Proposed Grant Resolutions”	together, the Proposed Grant Resolution No. 1 and the Proposed Grant Resolution No. 2;
“Purchase Order(s)”	the purchase order(s) setting out the particulars and the detailed terms and conditions for the supply of the Products by the relevant member(s) of the Group to the relevant member(s) of the Sims Asia Group;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share Options”	the share options granted and to be granted under the Post-IPO Share Option Scheme which entitle the holders thereof to subscribe for Shares;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholders”	holders of the Shares;
“Sims”	Sims Metal Management Dragon Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SMM;
“Sims Asia”	Sims Metal Management Asia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SMM;

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“Sims Asia Group”	Sims Asia and its subsidiaries and associates;
“SMM”	Sims Metal Management Limited, a company incorporated in Australia and the holding company of Sims and Sims Asia;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it in section 2(4) of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong);
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Term”	the term of the New Master Purchase Agreement, being the period between 1 June 2012 and 31 May 2015 unless terminated earlier in accordance with the terms of the New Master Purchase Agreement;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Warrant(s)”	the warrant(s) issued by the Company on 1 March 2012 which entitle the holders thereof to subscribe for fully paid Shares in the aggregate amount of HK\$75,830,646 at the initial subscription price of HK\$6.00 per Share (subject to adjustments); and
“%”	per cent

LETTER FROM THE BOARD



CHIHO-TIANDE GROUP LIMITED

齊合天地集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 976)

Executive Directors:

Mr. Fang Ankong
(Chairman and Chief Executive Officer)
Mr. Stephanus Maria van Ooijen
(Vice President)
Mr. Gu Liyong
(Vice President)

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Non-executive Director:

Mr. Michael Charles Lion

Principal Place of

Business in Hong Kong:
48 Wang Lok Street
Yuen Long Industrial Estate
Hong Kong

Independent Non-executive Directors:

Ms. Zhang Jingdong
Dr. Loke Yu
Mr. Li Xikui

24 April 2012

To the Shareholders

Dear Sir or Madam,

**PROPOSED GRANT OF SHARE OPTIONS
TO SUBSTANTIAL SHAREHOLDERS
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE NEW MASTER PURCHASE AGREEMENT
FOR THE SUPPLY OF METAL SCRAP TO
SIMS METAL MANAGEMENT ASIA LIMITED
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Proposed Grant and the Continuing Connected Transactions.

LETTER FROM THE BOARD

As disclosed in the Announcement, on 28 March 2012:

- (a) the Board approved the grant of Share Options to certain Directors and employees of the Company to subscribe for an aggregate of 30,900,000 Shares, subject to acceptance of the Grantees. Among the Share Options granted, Share Options to subscribe for 16,500,000 Shares and 2,000,000 Shares were conditionally granted to Mr. Fang and Mr. van Ooijen (each being an executive Director and a controlling shareholder of the Company), respectively, subject to the approval of the Group I Independent Shareholders (i.e. Shareholders other than all the connected persons of the Company) at the EGM; and
- (b) the Company entered into the New Master Purchase Agreement with Sims Asia to renew the existing arrangements under the Existing Master Purchase Agreement in relation to the supply by the relevant member(s) of the Group of the Products which comprise, among others, copper scrap, to the relevant member(s) of the Sims Asia Group for the Term of three years from 1 June 2012 to 31 May 2015. The Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company and are subject to the approval of the Group II Independent Shareholders (i.e. Shareholders other than Sims and its associates) at the EGM.

The purpose of this circular is to provide Shareholders with further information on the Proposed Grant and the Continuing Connected Transactions and other information prescribed by the Listing Rules. This circular also contains (i) a letter of advice from Guangdong Securities to the Independent Board Committee and the Group II Independent Shareholders setting out its advice and recommendation in relation to the Continuing Connected Transactions; (ii) a letter of advice from the Independent Board Committee setting out its advice to the Group II Independent Shareholders in relation to the Continuing Connected Transactions; and (iii) the notice of the EGM, at which ordinary resolutions will be proposed for (a) the Group I Independent Shareholders to consider and, if thought fit, to approve the Proposed Grant; and (b) the Group II Independent Shareholders to consider and, if thought fit, to approve the Continuing Connected Transactions.

2. THE PROPOSED GRANT

On 28 March 2012, the Board resolved to grant Share Options to certain Directors and employees of the Company to subscribe for an aggregate of 30,900,000 Shares, subject to acceptance of the Grantees. Details of the Share Options granted are as follows:

Date of Grant:	28 March 2012
Exercise price of Share Options:	HK\$4.186 per Share, which represents the highest of (i) the closing price of HK\$4.10 per Share as stated in the daily quotations sheet of the Stock Exchange on 28 March 2012, being the Date of Grant; (ii) the average closing price of HK\$4.186 per Share as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of the Share, being HK\$0.01.

LETTER FROM THE BOARD

Number of Share Options granted:	30,900,000 Share Options entitling the holders thereof to subscribe for an aggregate of 30,900,000 Shares
Closing price of the Shares on the Date of Grant:	HK\$4.10 per Share
Validity period of the Share Options:	The option period of the Share Options shall be four years from the Date of Grant and the Share Options shall lapse at the expiry of the aforesaid option period.
Amount payable on acceptance of the Share Options:	HK\$1.00
Voting, dividend, transfer and other rights attaching to the Share Options granted:	Share Options granted under the Post-IPO Share Option Scheme do not carry any right to vote, or any right, dividend including those arising on liquidation of the Company.
Ranking of Shares falling to be issued upon exercise of the Share Options granted:	The Shares to be allotted upon the exercise of the Share Options shall be subject to all the provisions of the articles of association of the Company for the time being in force and shall rank <i>pari passu</i> in all respects with the existing fully paid Shares in issue on the date on which these Shares are allotted on exercise of the Share Options and accordingly shall entitle the holders to participate in all dividend or other distributions paid or made after the date on which the Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.
Vesting period and vesting conditions of the Share Options:	<p>(a) For all Grantees, the Share Options granted may be exercised:</p> <ul style="list-style-type: none">(i) as to 30%, from the date of the first anniversary of the Date of Grant, i.e. 28 March 2013, to the date immediately before the fourth anniversary of the Date of Grant, i.e. 27 March 2016 (both dates inclusive);(ii) as to 30%, from the date of the second anniversary of the Date of Grant, i.e. 28 March 2014, to the date immediately before the fourth anniversary of the Date of Grant, i.e. 27 March 2016 (both dates inclusive); and

LETTER FROM THE BOARD

(iii) as to 40%, from the date of the third anniversary of the Date of Grant, i.e. 28 March 2015, to the date immediately before the fourth anniversary of the Date of Grant, i.e. 27 March 2016 (both dates inclusive).

(b) In the case of Mr. Fang, Mr. van Ooijen and Mr. Gu:

In addition to the vesting period set out in (a) above, the Share Options granted to each of Mr. Fang, Mr. van Ooijen and Mr. Gu will only be vested if the net profit of the Group for the financial year of the Company ending 31 December 2012 is equal to or exceeds 130% of the net profit of the Group for the financial year ended 31 December 2010, i.e. approximately HK\$458.3 million (the “**Performance Target**”). If the Performance Target is not reached, the Share Options granted to Mr. Fang, Mr. van Ooijen and Mr. Gu will automatically lapse.

Among the Share Options granted above, Share Options to subscribe for an aggregate of 19,375,000 Shares were conditionally granted to the following Directors and substantial shareholders of the Company and their respective associates (as defined in Rule 1.01 of the Listing Rules):

Name of Grantee	Relationship with the Company	Number of Shares to be issued upon the exercise of the Share Options granted	Approximate percentage shareholding (Note)
Mr. Fang	Executive Director and a controlling shareholder of the Company	16,500,000	1.58%
Mr. van Ooijen	Executive Director and a controlling shareholder of the Company	2,000,000	0.19%
Mr. Gu	Executive Director	650,000	0.06%
Dr. Loke Yu	Independent non-executive Director	75,000	0.007%
Mr. Li Xikui	Independent non-executive Director	75,000	0.007%

LETTER FROM THE BOARD

Name of Grantee	Relationship with the Company	Number of Shares to be issued upon the exercise of the Share Options granted	Approximate percentage shareholding <i>(Note)</i>
Ms. Zhang Jingdong	Independent non-executive Director	75,000	0.007%

Note: Based on the total number of 1,041,854,706 Shares in issue as at the Latest Practicable Date.

None of the Directors is the trustee of the Post-IPO Share Option Scheme or has a direct or indirect interest in the trustee of the Post-IPO Share Option Scheme.

Reasons for the Proposed Grant

In view of the continuous contribution of the Grantees (including Mr. Fang and Mr. van Ooijen) to the business development and growth of the Group, the grant of Share Options to the Grantees, of which the Proposed Grant forms part, is to serve as an appreciation of the dedication and efforts of the Grantees and as an incentive for their continuing commitment and contribution to the Group in the future.

Implications of the Proposed Grant under the Listing Rules

Pursuant to Rule 17.04(1) of the Listing Rules and the provisions of the Post-IPO Share Option Scheme, the grant of Share Options by the Company to any Director, chief executive, or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the Share Options concerned). On the Date of Grant, the independent non-executive Directors approved the grant of Share Options to Mr. Fang, Mr. van Ooijen and Mr. Gu. In addition, the independent non-executive Directors who are not the grantees of the Share Options concerned have approved the grant of the respective Share Options to Dr. Loke Yu, Mr. Li Xikui and Ms. Zhang Jingdong.

Further, pursuant to Rule 17.04(1) of the Listing Rules and the provisions of the Post-IPO Share Option Scheme, where a grant of share options to a substantial shareholder of the Company or an independent non-executive Director and/or their respective associates would result in the Shares issued and to be issued upon exercise of all the share options granted and to be granted (including options exercised, cancelled and outstanding) under the Post-IPO Share Option Scheme and any other share option schemes of the Company to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares on the date of grant, in excess of HK\$5 million, such grant of share options must be approved by the Shareholders at a general meeting at which all connected persons of the Company shall abstain from voting in favour at such general meeting (although they may vote against the resolution to approve the grant of share options at such general meeting provided that their intention to do so has been stated in the relevant circular).

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As disclosed in the announcement and the circular of the Company dated 3 May 2011 and 1 June 2011, respectively, on 3 May 2011, the Company granted the Share Options to Mr. Fang and Mr. van Ooijen to subscribe for 16,500,000 Shares and 1,000,000 Shares, respectively, subject to, among other vesting conditions, the condition that the net profit of the Group for the financial year of the Company ended 31 December 2011 should be equal to or exceed 130% of the net profit of the Group for the financial year ended 31 December 2010. This condition was not satisfied and therefore the Share Options granted to Mr. Fang and Mr. van Ooijen in 2011 have not been duly vested and are not exercisable. Notwithstanding this, these Share Options are not considered to have lapsed in accordance with the terms of the Post-IPO Share Option Scheme and should be taken into account for the purpose of determining whether the limits under Rule 17.04(1) of the Listing Rules are exceeded.

As at the Date of Grant, there were 1,041,854,706 Shares in issue. As the total number of Shares to be issued upon exercise of the Share Options granted to each of Mr. Fang and Mr. van Ooijen in the 12-month period up to and including the Date of Grant will represent in aggregate over 0.1% of the Shares in issue and having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares of HK\$4.10 on the Date of Grant, the grant of Share Options to each of Mr. Fang and Mr. van Ooijen must be approved by the Shareholders at the EGM at which all connected persons of the Company shall abstain from voting in favour of the Proposed Grant Resolutions.

In addition, pursuant to the provisions of the Post-IPO Share Option Scheme and Rule 17.03(4) of the Listing Rules, the maximum number of Shares issued and to be issued upon exercise of the Share Options granted to each Grantee under the Post-IPO Share Option Scheme (including both exercised and outstanding Share Options) in any 12-month period shall not, when aggregated with any Shares subject to options granted under such period under any other share option schemes of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting, exceed 1% of the Shares in issue for the time being. When any further grant of Shares Options to a Grantee would result in the Shares issued and to be issued upon exercise of all Share Options granted and to be granted to such person (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Grantee and his associates abstaining from voting.

As the total number of Shares to be issued upon exercise of the Share Options granted to Mr. Fang in the 12-month period up to and including the Date of Grant represents in aggregate over 1% of the Shares in issue, the grant of Share Options to Mr. Fang must be approved by Shareholders at the EGM with Mr. Fang and his associates abstaining from voting on the Proposed Grant Resolution No. 1. Save for Mr. Fang, none of the Grantees will, as a result of the grant of Share Options, be entitled to be issued with such number of Shares as represents over 1% of the Shares in issue upon exercise of all Share Options granted to him/her/it in the 12-month period up to and including the Date of Grant.

LETTER FROM THE BOARD

3. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW MASTER PURCHASE AGREEMENT WITH SIMS ASIA

The New Master Purchase Agreement

Reference is made to the announcement of the Company on 16 February 2012 in relation to the Existing Master Purchase Agreement. Pursuant to the Existing Master Purchase Agreement, the relevant member(s) of the Sims Asia Group may purchase from the relevant member(s) of the Group the Products which comprise, among others, copper scrap at prevailing market prices during the term between 1 February 2012 and 31 May 2012.

In order to renew the existing arrangements under the Existing Master Purchase Agreement, on 28 March 2012, the Company entered into the New Master Purchase Agreement with Sims Asia, pursuant to which the relevant member(s) of the Sims Asia Group may purchase from the relevant member(s) of the Group the Products at prevailing market prices for the Term of three years from 1 June 2012 to 31 May 2015.

The principal terms of the New Master Purchase Agreement are set out below:

Date: 28 March 2012

Parties: (a) the Company; and
(b) Sims Asia

Purchase of Products: Sims Asia agrees to procure the relevant member(s) of the Sims Asia Group to issue Purchase Orders to the relevant member(s) of the Group for the purchase of the Products from time to time. Each Purchase Order shall set out the particulars and the terms and conditions upon which any particular Products shall be supplied by the relevant member(s) of the Group to the relevant member(s) of the Sims Asia Group. The terms of each Purchase Order must comply with the terms of the New Master Purchase Agreement and in particular, any Products to be supplied under any Purchase Order must comply with the basis set out in the New Master Purchase Agreement.

Basis for the purchase of Products: All of the Products shall be purchased by the relevant member(s) of the Sims Asia Group from the relevant member(s) of the Group on the following basis:

- (i) on normal commercial terms (or on terms no less favourable to the Group than terms made available from independent third parties);

LETTER FROM THE BOARD

- (ii) pricing determined on an arm's length negotiation by reference to the prevailing market prices (based on the three-month copper price published by the London Metal Exchange) and the estimated costs (i.e. costs of the Products and the related processing and consolidation costs) for the supply of the Products. The final pricing will be fixed based on the total estimated costs for the supply of the Products plus a profit margin, having regard to the prevailing market prices; and
- (iii) the aggregate value of the Products to be purchased by the Sims Asia Group from the Group under the New Master Purchase Agreement during the Term shall not exceed the Annual Caps as set out in the section headed "Implications of the New Master Purchase Agreement under the Listing Rules" in the "Letter from the Board" of this circular.

The charges for Products rendered under the Purchase Order(s) shall be settled by way of cash, which shall be payable in full upon the receipt of the original shipping documents by the relevant member(s) of the Sims Asia Group. The settlement terms are in line with market practice and are the same as the settlement terms under the Master Supply Agreement entered into between the Company and Sims Asia on 16 January 2012.

Conditions:

The New Master Purchase Agreement is conditional upon:

- (a) the Company having obtained all necessary approvals, whether corporate or regulatory or otherwise, required for the New Master Purchase Agreement and the transactions contemplated thereunder, including but not limited to the passing of the CCT Resolution by the Group II Independent Shareholders; and
- (b) Sims Asia having obtained all necessary approvals, whether corporate or regulatory or otherwise, required for the New Master Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

If the above conditions are not fulfilled on or before the Long Stop Date, the New Master Purchase Agreement shall automatically terminate and neither Party shall have any rights to claim against the other Party under the New Master Purchase Agreement.

**Term of the New
Master Purchase
Agreement:**

The New Master Purchase Agreement will take effect from 1 June 2012 and shall continue until 31 May 2015 unless terminated earlier in accordance with the terms thereof.

Reasons for and benefits of the New Master Purchase Agreement

Sims Asia is an existing business partner of the Group as the Group has been purchasing certain mixed metal scrap products from the Sims Asia Group for a considerable period of time. As disclosed in the announcement and the circular of the Company dated 17 January 2012 and 9 February 2012, respectively, on 16 January 2012, the Company entered into the Master Supply Agreement with Sims Asia in relation to the purchase of mixed metal scrap products by the Group from the Sims Asia Group.

Since February 2012, the Group has commenced supplying the Products to the Sims Asia Group. The Products are different from the mixed metal scrap products that the Group has been purchasing from the Sims Asia Group under the Master Supply Agreement. The Products for the time being supplied to the Sims Asia Group are copper scrap sourced by the Group locally. The mixed metal scrap products comprise hardware and electric appliance scrap, motor scrap, electric wire and cable scrap which are the raw materials for the metal recycling business of the Group.

Given the extensive downstream sales network of the Sims Asia Group in the PRC and Asia countries, the New Master Purchase Agreement will enable the Group to increase the sales volume of the Products through the extensive sales network of the Sims Asia Group, thereby increase the revenue and profits of the Group. The pricing mechanism for the Products supplied by the Group under the New Master Purchase Agreement is substantially the same as that for the mixed metal scrap products purchased by the Group under the Master Supply Agreement.

It is expected that the demand for a constant supply of the Products to the Sims Asia Group will last over the next few years. The New Master Purchase Agreement will enable the Group to comply with the applicable requirements under the Listing Rules in respect of continuing connected transactions and allow the Group to continue selling and supplying the Products to the Sims Asia Group on an uninterrupted basis during the Term.

LETTER FROM THE BOARD

Implications of the New Master Purchase Agreement under the Listing Rules

Sims Asia is the intermediate holding company of Sims which holds 16% of the issued share capital of the Company. Therefore, Sims Asia is a substantial shareholder and hence a connected person of the Company. The Continuing Connected Transactions therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The aggregate values of the transactions between the Group and the Sims Asia Group under the New Master Purchase Agreement in the relevant periods during the Term are capped at the following Annual Caps:

Relevant periods during the Term	Annual Caps
1 June 2012 – 31 December 2012	US\$37 million (approximately HK\$288.6 million)
1 January 2013 – 31 December 2013	US\$74 million (approximately HK\$577.2 million)
1 January 2014 – 31 December 2014	US\$81 million (approximately HK\$631.8 million)
1 January 2015 – 31 May 2015	US\$45 million (approximately HK\$351 million)

The Annual Caps were arrived at after taking into account (a) the historical volume of the Products that the Sims Asia Group purchased under the Existing Master Purchase Agreement; (b) the prevailing market prices of the Products; (c) the Company's expected average market price of the Products over the Term; and (d) the estimated volume of the Products that the Sims Asia Group may order from the Group during the Term.

During the period between 1 February 2012 and 31 March 2012, the total amount of the Products that the Sims Asia Group has ordered under the Existing Master Purchase Agreement was approximately 1,200 tonne, and the average market price of the Products during the same period was approximately US\$8,000 (approximately HK\$62,400) per tonne. In arriving at the Annual Caps, the Company expects that there will be an annual inflation of 5% in the market price of the Products based on the fluctuation in the historical copper price during the period from 1 January 2012 to 31 March 2012, and an annual growth of 5% in the sales volume of the Products based on the possible future demand for the Products as advised by the Sims Asia Group.

As the applicable Percentage Ratios in respect of the Annual Caps are more than 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules. The Continuing Connected Transactions are therefore subject to the reporting, announcement, annual review and the independent shareholders' approval requirements

LETTER FROM THE BOARD

under Chapter 14A of the Listing Rules. Details of the New Master Purchase Agreement will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

The Company has appointed Guangdong Securities as the Independent Financial Adviser to advise the Independent Board Committee and the Group II Independent Shareholders as to the fairness and reasonableness of the New Master Purchase Agreement and the Annual Caps, and to advise the Group II Independent Shareholders as to how they should vote on the CCT Resolution at the EGM.

The Independent Board Committee comprising all Independent non-executive Directors has been established to advise the Group II Independent Shareholders as to whether the New Master Purchase Agreement is on normal commercial terms, the terms of which are fair and reasonable insofar as the Group II Independent Shareholders are concerned, and to advise the Group II Independent Shareholders as to how they should vote on the CCT Resolution at the EGM, after taking into account of the recommendations of Guangdong Securities.

Information on the Group and Sims Asia

The Group principally engages in mixed metal scrap recycling, reuse and processing which involves breaking-down, demolition and separation of mixed metal scrap such as motor scrap and electric wire and cable scrap into their respective metal constituents, comprising mainly copper scrap, steel scrap, aluminum scrap and iron scrap as well as a growing business in scrap metal collection.

Sims Asia is the intermediate holding company of Sims which holds 16% of the issued share capital of the Company. Sims in turn is an indirect wholly-owned subsidiary of SMM, the world's largest listed metal recycler with ordinary shares listed on the Australian Securities Exchange (ASX: SGM) and American Depositary Receipts listed on the New York Stock Exchange (NYSE: SMS). The principal business of SMM and its subsidiaries and its associates is metals and electronics recycling.

4. EGM

The EGM will be held at Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Thursday, 24 May 2012 at 2:30 p.m. (or so soon thereafter as the annual general meeting of the Company convened on the same date and at the same place at 2:00 p.m. shall have been concluded) for the purpose of considering and, if thought fit, approving the EGM Matters. The notice convening the EGM is set out on pages 44 to 46 of this circular. At the EGM, the Proposed Grant Resolutions will be proposed for the approval of the Proposed Grant by the Group I Independent Shareholders, and the CCT Resolution will be proposed for the approval of the Continuing Connected Transactions by the Group II Independent Shareholders.

The register of members of the Company will be closed from Tuesday, 22 May 2012 to Thursday, 24 May 2012, both dates inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to

LETTER FROM THE BOARD

attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 21 May 2012.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not prevent you from attending and voting at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 17.04(1) of the Listing Rules, all connected persons of the Company are required to abstain from voting in favour of the Proposed Grant Resolutions at the EGM (although they may vote against the Proposed Grant Resolutions at the EGM provided that their intention to do so has been stated in this circular). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the following Shareholders (the "**Abstaining Shareholders**") are connected persons of the Company and are thus required to abstain from voting in favour of the Proposed Grant Resolutions at the EGM:

Name of connected persons	Number of Shares held as at the Latest Practicable Date	Approximate percentage shareholding
Delco (<i>Note 1</i>)	230,395,981	22.11%
HWH (<i>Note 2</i>)	316,985,265	30.43%
Green Elite (<i>Note 3</i>)	60,000,000	5.76%
Sims	166,696,754	16.00%
Mr. Fang	4,564,000	0.44%

Notes:

1. Delco is beneficially 50%-owned by, and is hence an associate of, Mr. van Ooijen.
2. HWH is beneficially owned by, and is hence an associate of, Mr. Fang.
3. Green Elite is beneficially owned as to 50% by Delco and as to 50% by HWH. Green Elite is therefore an associate of each of Mr. Fang and Mr. van Ooijen.

Save as disclosed above, none of the Shareholders is required to abstain from voting in favour of the Proposed Grant Resolutions at the EGM.

LETTER FROM THE BOARD

As at the Latest Practicable Date, none of the Shareholders who are required to abstain from voting in favour of the Proposed Grant Resolutions at the EGM has given the Company notice of his/her/its intention to vote against such resolutions at the EGM. In addition, pursuant to the provisions of the Post-IPO Share Option Scheme and Rule 17.03(4) of the Listing Rules, Mr. Fang and his associates (namely, HWH and Green Elite) are required to abstain from voting on the Proposed Grant Resolution No. 1.

Therefore, all the Abstaining Shareholders shall abstain from voting on the Proposed Grant Resolutions at the EGM.

Pursuant to Rule 14A.54 of the Listing Rules, Sims and its associates are required to abstain from voting on the CCT Resolution at the EGM. As at the Latest Practicable Date, Sims held 166,696,754 Shares, representing approximately 16.00% of the issued share capital of the Company, and none of its associates held any Shares.

5. VOTING BY POLL

In compliance with the Listing Rules, the Proposed Grant Resolutions and the CCT Resolution will be voted on by way of poll at the EGM. The Company will announce the results of the poll in the manner prescribed under Rule 13.39 (5) of the Listing Rules.

6. RECOMMENDATIONS

In relation to the Proposed Grant

The Directors (including all the independent non-executive Directors but excluding Mr. Fang and Mr. van Ooijen who were required to abstain from voting on the resolutions of the Board to approve the Proposed Grant) consider that the terms of the Proposed Grant are fair and reasonable insofar as the Group I Independent Shareholders are concerned, and that the Proposed Grant is in the best interests of the Company and the Shareholders as a whole. Therefore, the Directors (including all the independent non-executive Directors but excluding Mr. Fang and Mr. van Ooijen who were required to abstain from voting on the resolutions of the Board to approve the Proposed Grant) recommend the Group I Independent Shareholders to vote in favour of the Proposed Grant Resolutions at the EGM.

In relation to the Continuing Connected Transactions

The New Master Purchase Agreement was entered into by the Company in the ordinary and usual course of business of the Group. The terms of the New Master Purchase Agreement (including the Annual Caps) have been arrived at after arm's length negotiation between the Company and Sims Asia. The Directors (excluding the independent non-executive Directors and Mr. Lion, the non-executive Director, who is considered having a material interest in the Continuing Connected Transactions and has abstained from voting at the relevant meeting of the Board to approve the Continuing Connected Transactions in accordance with the requirements of the Listing Rules) consider that the terms of the New Master Purchase Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable, and that it would

LETTER FROM THE BOARD

be in the interests of the Company and the Shareholders as a whole to enter into the New Master Purchase Agreement as it will allow the Group to continue selling and supplying metal scrap to the Sims Asia Group on an uninterrupted basis.

Having taken into account the recommendation and advice from Guangdong Securities and other factors in relation to the Continuing Connected Transactions (as contained in the letter from Guangdong Securities set out on pages 23 to 31 of this circular), the Independent Board Committee is of the view that the terms of the New Master Purchase Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable insofar as the Group II Independent Shareholders are concerned, and that the Continuing Connected Transactions would be in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Group II Independent Shareholders to vote in favour of the CCT Resolution at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 and 22 of this circular, which contains its recommendation to the Group II Independent Shareholders, and the letter from Guangdong Securities set out on pages 23 to 31 of this circular, which contains its advice to the Independent Board Committee and the Group II Independent Shareholders in relation to the Continuing Connected Transactions.

7. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Chiho-Tiande Group Limited
Fang Ankong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHIHO-TIANDE GROUP LIMITED

齊合天地集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 976)

Independent Board Committee:

Dr. Loke Yu (*Chairman*)

Mr. Li Xikui

Ms. Zhang Jingdong

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

24 April 2012

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE NEW MASTER PURCHASE AGREEMENT
FOR THE SUPPLY OF METAL SCRAP TO
SIMS METAL MANAGEMENT ASIA LIMITED**

We refer to the circular (the “**Circular**”) of the Company dated 24 April 2012 of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Group II Independent Shareholders as to whether, in our opinion, the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable insofar as the Group II Independent Shareholders are concerned.

Guangdong Securities has been appointed to advise the Independent Board Committee and the Group II Independent Shareholders in relation to the Continuing Connected Transactions. Your attention is drawn to the letter of advice from Guangdong Securities as set out on pages 23 to 31 of the Circular, which contains its advice and recommendation to us and the Group II Independent Shareholders in relation to the Continuing Connected Transactions, as well as the principal factors and reasons for its advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the recommendation and advice of Guangdong Securities, in our opinion, the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable insofar as the Group II Independent Shareholders are concerned. Accordingly, we recommend the Group II Independent Shareholders to vote in favour of the CCT Resolution at the EGM.

Yours faithfully,
**The Independent Board Committee
of Chiho-Tiande Group Limited**
Dr. Loke Yu (*Chairman*)
Mr. Li Xikui
Ms. Zhang Jingdong

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Group II Independent Shareholders regarding the Continuing Connected Transactions for the purpose of inclusion in this circular.



Unit 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

24 April 2012

*To: The independent board committee and the independent shareholders
of Chiho-Tiande Group Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Group II Independent Shareholders in relation to the Continuing Connected Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 24 April 2012 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 March 2012, the Company announced that in order to renew the existing arrangements under the Existing Master Purchase Agreement, the Company entered into the New Master Purchase Agreement with Sims Asia on even date, pursuant to which the relevant member(s) of the Sims Asia Group may purchase the Products from the relevant member(s) of the Group at the prevailing market prices for the Term of three years from 1 June 2012 to 31 May 2015.

The aggregate values of the transactions between the Group and the Sims Asia Group under the New Master Purchase Agreement in the relevant periods during the Term are capped at the Annual Caps.

The Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company pursuant to Rule 14A.35 of the Listing Rules, and are therefore subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will convene the EGM at which resolution(s) will be proposed for the approval of, among other things, the Continuing Connected Transactions whereby Sims and its associates are required to abstain from voting.

LETTER FROM GUANGDONG SECURITIES

An Independent Board Committee comprising Dr. Loke Yu, Mr. Li Xikui and Ms. Zhang Jingdong (all being independent non-executive Directors) has been formed to advise the Group II Independent Shareholders on (i) whether the terms of the New Master Purchase Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Group II Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Group II Independent Shareholders should vote in respect of the CCT Resolution at the EGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Group II Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Group II Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and Sims Asia or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GUANGDONG SECURITIES

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

(1) Background of the Continuing Connected Transactions

Business overview of the Group

With reference to the Board Letter, the Group principally engages in mixed metal scrap recycling, reuse and processing which involve breaking-down, demolition and separation of mixed metal scrap such as motor scrap and electric wire and cable scrap into their respective metal constituents, comprising mainly copper scrap, steel scrap, aluminium scrap and iron scrap as well as growing business in scrap metal collection.

Set out below is the audited financial information of the Group for the two years ended 31 December 2011 as extracted from the Company's annual results announcement for the year ended 31 December 2011 (the "2011 Results Announcement"):

	For the year ended 31 December 2011 HK\$'000	For the year ended 31 December 2010 HK\$'000	Year on year change %
Revenue			
– Metal recycling business	8,260,352	4,920,515	67.88
– Foundry business	1,029,271	835,306	23.22
– Wholesales business	525,899	175,768	199.20
Total	9,815,522	5,931,589	65.48
Profit for the year attributable to owners of the Company	152,087	352,798	(56.89)

From the above table, we noted that the total revenue of the Group for the year ended 31 December 2011 rose substantially by approximately 65.48% from approximately HK\$5,931.6 million to approximately HK\$9,815.5 million. As referred to in the 2011 Results Announcement, such substantial rise was a result of the significant increase in sales of the Group due to the continuous strong demand in its processed products during the same year under review.

LETTER FROM GUANGDONG SECURITIES

Despite the rise in total revenue, the Group recorded reduction in net profit attributable to owners of the Company from approximately HK\$352.8 million for the year ended 31 December 2010 to approximately HK\$152.1 million for the year ended 31 December 2011. According to the 2011 Results Announcement, the main reasons for the reduction in net profit were the significant drop in the global commodity prices in the last quarter of 2011 and the “mark-to-market” basis for provision for inventories and revaluation for financial instruments held by the Group.

As indicated in the 2011 Results Announcement, the Group continued to place strong emphasis on capturing and securing supply of raw materials from proven sources of scrap metal through its well established overseas procurement network in 2011. Going forward and with the encouragement from the PRC government to increase importation of non-ferrous scrap metals to compensate for the shortages that the PRC is currently facing, the Group will remain committed to further expanding its processing capability, and at the same time improving its profitability and return on equity.

Information on Sims Asia

As extracted from the Board Letter, Sims Asia is the intermediate holding company of Sims which holds 16% of the issued share capital of the Company. Sims in turn is an indirect wholly-owned subsidiary of SMM, the world’s largest listed metal recycler with ordinary shares listed on the Australian Securities Exchange (ASX: SGM) and American Depositary Receipts listed on the New York Stock Exchange (NYSE: SMS). The principal business of SMM and its subsidiaries and associates is metals and electronics recycling.

Reasons for the Continuing Connected Transactions

As presented in the 2011 Results Announcement, Sims became the first strategic investor of the Company in January 2012 (for details, please refer to the announcement of the Company dated 17 January 2012). Since Sims became a strategic investor of the Company, the Company has started to reap the synergistic benefit of its tie-up with the gradual increase in the purchase volume with Sims and at the same time, the Group has also started selling scrap materials through Sims to its customers in the Asia region. The Board believes that in view of SMM’s global reach and customer network, advanced technologies and solutions in the metals and electronics recycling industry together with its strong global resources, the strategic collaboration between the Group and SMM will significantly add value and expertise which complements that of the Group, and will considerably enhance the Group’s current position for future expansion.

As further advised by the Directors, Sims Asia is an existing business partner of the Group as the Group has been purchasing certain mixed metal scrap products from the Sims Asia Group for a considerable period of time. As disclosed in the announcement and circular of the Company dated 17 January

LETTER FROM GUANGDONG SECURITIES

2012 and 9 February 2012 respectively, on 16 January 2012, the Company entered into the Master Supply Agreement with Sims Asia in relation to the purchase of mixed metal scrap products by the Group from the Sims Asia Group.

Since February 2012, the Group has commenced supplying the Products to the Sims Asia Group. The Products are different from the mixed metal scrap products which the Group has been purchasing from the Sims Asia Group under the Master Supply Agreement. The Products for the time being supplied to the Sims Asia Group are copper scrap sourced by the Group locally. The mixed metal scrap products comprise hardware and electric appliance scrap, motor scrap, electric wire and cable scrap which are the raw materials for the metal recycling business of the Group.

Given the extensive downstream sales network of the Sims Asia Group in the PRC and other Asian countries, the Directors expected that the New Master Purchase Agreement will enable the Group to increase the sales volume of the Products through the extensive sales network of the Sims Asia Group, thereby increasing the revenue and profits of the Group. The pricing mechanism for the Products supplied by the Group under the New Master Purchase Agreement is substantially the same as that for the mixed metal scrap products purchased by the Group under the Master Supply Agreement.

It is expected that the demand for a constant supply of the Products to the Sims Asia Group will last over the next few years. In this regard, the New Master Purchase Agreement will enable the Group to comply with the applicable requirements under the Listing Rules in respect of continuing connected transactions and allow the Group to continue selling and supplying the Products to the Sims Asia Group on an uninterrupted basis during the Term.

Having considered (i) the existing strategic as well as business relationship between the Group and the Sims Asia Group; (ii) that the metal scrap products to be supplied under the Master Supply Agreement and the New Master Purchase Agreement are different; (iii) that the pricing mechanism for the Products supplied by the Group under the New Master Purchase Agreement is substantially the same as that for the mixed metal scrap products purchased by the Group under the Master Supply Agreement; and (iv) SMM's size of business operations, global reach and customer network and that the selling of the Products by the Group to the Sims Asia Group would likely to contribute additional source of revenue to the Group, we concur with the Directors that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM GUANGDONG SECURITIES

(2) Principal terms of the New Master Purchase Agreement

The following table tabulates a summary of the major terms of the New Master Purchase Agreement (details of which are contained under the sub-section headed “The New Master Purchase Agreement” of the Board Letter):

Date:	28 March 2012										
Term:	From 1 June 2012 to 31 May 2015 unless terminated earlier in accordance with the terms thereof										
Seller:	the Company										
Buyer:	Sims Asia										
Nature of transaction:	Sims Asia agrees to procure the relevant member(s) of the Sims Asia Group to issue the Purchase Orders to the relevant member(s) of the Group for the purchase of the Products from time to time. Each Purchase Order shall set out the particulars and the terms and conditions upon which any particular Product shall be supplied by the relevant member(s) of the Group to the relevant member(s) of the Sims Asia Group. The terms of each Purchase Order must comply with the terms of the New Master Purchase Agreement and in particular, any Product to be supplied under any Purchase Order must comply with the basis set out in the New Master Purchase Agreement.										
Annual Caps:	<table><thead><tr><th><i>Relevant periods during the Term</i></th><th><i>Amount of the Annual Caps</i></th></tr></thead><tbody><tr><td>1 June 2012 – 31 December 2012</td><td>US\$37 million (equivalent to approximately HK\$288.6 million)</td></tr><tr><td>1 January 2013 – 31 December 2013</td><td>US\$74 million (equivalent to approximately HK\$577.2 million)</td></tr><tr><td>1 January 2014 – 31 December 2014</td><td>US\$81 million (equivalent to approximately HK\$631.8 million)</td></tr><tr><td>1 January 2015 – 31 May 2015</td><td>US\$45 million (equivalent to approximately HK\$351 million)</td></tr></tbody></table>	<i>Relevant periods during the Term</i>	<i>Amount of the Annual Caps</i>	1 June 2012 – 31 December 2012	US\$37 million (equivalent to approximately HK\$288.6 million)	1 January 2013 – 31 December 2013	US\$74 million (equivalent to approximately HK\$577.2 million)	1 January 2014 – 31 December 2014	US\$81 million (equivalent to approximately HK\$631.8 million)	1 January 2015 – 31 May 2015	US\$45 million (equivalent to approximately HK\$351 million)
<i>Relevant periods during the Term</i>	<i>Amount of the Annual Caps</i>										
1 June 2012 – 31 December 2012	US\$37 million (equivalent to approximately HK\$288.6 million)										
1 January 2013 – 31 December 2013	US\$74 million (equivalent to approximately HK\$577.2 million)										
1 January 2014 – 31 December 2014	US\$81 million (equivalent to approximately HK\$631.8 million)										
1 January 2015 – 31 May 2015	US\$45 million (equivalent to approximately HK\$351 million)										

LETTER FROM GUANGDONG SECURITIES

Pursuant to the New Master Purchase Agreement, all of the Products shall be purchased by the relevant member(s) of the Sims Asia Group from the relevant member(s) of the Group on the following basis:

- (i) on normal commercial terms (or on terms no less favourable to the Group than terms made available from independent third parties);
- (ii) pricing determined on an arm's length negotiation by reference to the prevailing market prices (based on the three-month copper price published by the London Metal Exchange ("LME")) and the estimated costs (i.e. costs of the Products and the related processing and consolidation costs) for the supply of the Products. The final pricing will be fixed based on the total estimated costs for the supply of the Products plus a profit margin, having regard to the prevailing market prices; and
- (iii) the aggregate value of the Products purchased and to be purchased by the Sims Asia Group from the Group under the New Master Purchase Agreement during the Term shall not exceed the Annual Caps.

The charges for the Products rendered under the Purchase Order(s) shall be settled by way of cash, which shall be payable in full upon receipt of the original shipping documents by the relevant member(s) of the Sims Asia Group. As confirmed by the Directors, such settlement terms are in line with market practice and are the same as the settlement terms under the Master Supply Agreement entered into between the Company and Sims Asia on 16 January 2012.

For our due diligence purpose, we have reviewed (i) the purchase orders issued by the Sims Asia Group to the Group under the Existing Master Purchase Agreement; (ii) the contracts entered into between the Group and the independent third parties to the Group for the sale and purchase of similar products of the Group; and (iii) the executed copy of the Master Supply Agreement. We noted that the aforesaid purchase orders/contracts contain similar terms and clauses (including the delivery and settlement terms) and the Sims Asia Group did not enjoy any preferential arrangement.

Based on the terms of the New Master Purchase Agreement as summarised above, in particular that the transactions contemplated under the New Master Purchase Agreement will be conducted on normal commercial terms (or on terms no less favourable to the Group than terms made available from independent third parties) and the final pricing of the Products will be fixed based on the total estimated costs for the supply of the Products plus a profit margin, having regard to the prevailing market prices, we are of the view that the terms of the New Master Purchase Agreement are fair and reasonable so far as the Group II Independent Shareholders are concerned.

(3) Basis of the Annual Caps

As stated in the Board Letter, the Annual Caps were arrived at after taking into account (i) the historical volume of the Products that the Sims Asia Group purchased under the Existing Master Purchase Agreement; (ii) the prevailing market prices of the

LETTER FROM GUANGDONG SECURITIES

Products; (iii) the Company's expected average market price of the Products over the Term; and (iv) the estimated volume of the Products that the Sims Asia Group may order from the Group during the Term.

To assess the fairness and reasonableness of the Annual Caps, we have discussed with the Directors regarding the basis of the Annual Caps as aforementioned. In this respect, we understand that the Annual Caps were determined with reference to the average monthly sales order amount of the Products in February and March of 2012 under the Existing Master Purchase Agreement, and the market price of the Products is with reference to the LME 3-month copper price. As also advised by the Directors, in arriving at the Annual Caps, the Company expected that there will be 5% annual inflation in the market price of the Products based on the fluctuation of the historical copper price during the period from 1 January 2012 to 31 March 2012 as well as 5% annual growth in the sales volume of the Products during the Term based on the possible future demand for the Products as advised by the Sims Asia Group.

For our due diligence purpose, we have requested and obtained from the Company information regarding the average monthly sales order amount of the Products in February and March of 2012 under the Existing Master Purchase Agreement. As for the expected average market price of the Products, we have researched over Bloomberg and we noted that the LME 3-month copper price (seller) was at the lowest of US\$7,485.50 on 5 January 2012 and the highest of US\$8,647 on 28 February 2012, with an average of US\$8,314.45 in the first quarter of 2012. The maximum copper price thus represented upward movements of approximately 15.52% and 4.00% respectively as compared to the minimum and average copper prices during the said period under review. In light of the foregoing, we are of the view that it is acceptable to set a buffer of 5% annual inflation in arriving at the Annual Caps. With regard to the estimated volume of the Products that the Sims Asia Group may order, the Directors confirmed that the Sims Asia Group has communicated with the Company verbally regarding its possible future demand for the Products. Although Sims became a strategic investor of the Company and the Company has started to reap the synergistic benefit of its tie-up with Sims, given that the Group has only commenced supplying the Products to the Sims Asia Group since February 2012, the Directors consider that it would be relatively prudent and reasonable to assume 5% annual growth in the sales volume of the Products during the Term, and we also concur with the Directors in this regard.

With the above being the case, we consider that the Annual Caps are fair and reasonable so far as the Group II Independent Shareholders are concerned.

(4) Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.37 to 14A.41 of the Listing Rules pursuant to which (i) the values of the Products purchased and to be purchased must be restricted by the Annual Caps during the Term; (ii) the terms of the New Master Purchase Agreement (including the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the

LETTER FROM GUANGDONG SECURITIES

New Master Purchase Agreement (including the Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the Continuing Connected Transactions are carried out in accordance with the Purchase Order(s), and the Annual Caps are not being exceeded. In the event that the total amounts of the Products purchased and to be purchased exceed the Annual Caps, or that there is any material amendment to the terms of the New Master Purchase Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the New Master Purchase Agreement (including the Annual Caps) and hence the interest of the Group II Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the New Master Purchase Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Group II Independent Shareholders are concerned; and (ii) the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Group II Independent Shareholders to vote in favour of the CCT Resolution at the EGM and we recommend the Group II Independent Shareholders to vote in favour of the CCT Resolution.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of each of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its Associated Corporations which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

The Company

(i) Long positions in Shares and underlying Shares:

Name of Director	Capacity/Nature of Interest	Number of Shares interested	Number of underlying Shares interested	Total number of Shares interested	Approximate percentage shareholding in the Company	
Mr. Fang	Beneficial owner	4,564,000	36,500,000 <i>(Note 1)</i>	41,064,000		
	Interest in controlled corporations	376,985,265 <i>(Note 2)</i>	31,266,667 <i>(Note 2)</i>	408,251,932		
	Interest of the other parties to an agreement under section 317 of the SFO	397,092,735 <i>(Note 3)</i>	142,175,536 <i>(Note 3)</i>	539,268,271		
				Total:	<u>988,584,203</u>	94.89

Name of Director	Capacity/Nature of Interest	Number of Shares interested	Number of underlying Shares interested	Total number of Shares interested	Approximate percentage shareholding in the Company
Mr. van Ooijen	Beneficial owner	–	4,000,000 (Note 4)	4,000,000	
	Interest in controlled corporations	290,395,981 (Note 5)	52,100,000 (Note 5)	342,495,981	
	Interest of the other parties to an agreement under section 317 of the SFO	488,246,019 (Note 6)	153,842,203 (Note 6)	642,088,222	
			Total:	<u>988,584,203</u>	94.89
Mr. Gu Liyong	Beneficial owner	–	1,950,000 (Note 7)	1,950,000	0.19
Dr. Loke Yu	Beneficial owner	–	225,000 (Note 8)	225,000	0.02
Ms. Zhang Jingdong	Beneficial owner	–	225,000 (Note 9)	225,000	0.02
Mr. Li Xikui	Beneficial owner	–	225,000 (Note 10)	225,000	0.02

(ii) Short positions in Shares:

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate percentage shareholding in the Company
Mr. Fang	Interest of the other parties to an agreement under section 317 of the SFO	20,837,095 (Note 11)	2.00
Mr. van Ooijen	Interest in controlled corporations	20,837,095 (Note 11)	2.00

(iii) Long positions in debentures of the Company:

Name of Director	Capacity/Nature of Interest	Principal amount of the debentures held (HK\$)
Mr. Fang	Interest in controlled corporations	187,600,000 (Note 12)
Mr. van Ooijen	Interest in controlled corporations	312,600,000 (Note 13)

Notes:

- (1) Mr. Fang was granted Share Options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme to subscribe for 3,500,000 Shares and 33,000,000 Shares, respectively.
- (2) 316,985,265 Shares are held by HWH as beneficial owner and HWH is wholly-owned by Mr. Fang. Green Elite holds 60,000,000 Shares as beneficial owner and is 50%-owned by each of HWH and Delco. The 31,266,667 underlying Shares represent such number of underlying Shares which fall to be issued to HWH upon full conversion of the Convertible Bonds. Therefore, Mr. Fang is deemed to be interested in an aggregate of 408,251,932 Shares held by his controlled corporations.
- (3) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 397,092,735 Shares comprise (i) 230,395,981 Shares held by Delco as beneficial owner; and (ii) 166,696,754 Shares held by Sims as beneficial owner. The 142,175,536 underlying Shares comprise (i) 4,000,000 underlying Shares held by Mr. van Ooijen as beneficial owner as referred to in Note 4 below; (ii) 52,100,000 underlying Shares held by Delco as beneficial owner which fall to be issued to Delco upon full conversion of the Convertible Bonds; (iii) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (iv) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; and (v) 12,638,441 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants. Therefore, Mr. Fang is deemed to be interested in an aggregate of 539,268,271 Shares held by the other parties to an agreement under section 317 of the SFO.
- (4) Mr. van Ooijen was granted Share Options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme to subscribe for 1,000,000 Shares and 3,000,000 Shares, respectively.
- (5) 230,395,981 Shares are held by Delco as beneficial owner and Delco is indirectly 50%-owned by Mr. van Ooijen. Green Elite holds 60,000,000 Shares as beneficial owner and is 50%-owned by each of HWH and Delco. The 52,100,000 underlying Shares represent such number of underlying Shares which fall to be issued to Delco upon full conversion of the Convertible Bonds. Therefore, Mr. van Ooijen is deemed to be interested in an aggregate of 342,495,981 Shares held by his controlled corporations.
- (6) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 488,246,019 Shares comprise (i) 4,564,000 Shares held by Mr. Fang as beneficial owner; (ii) 316,985,265 Shares held by HWH as beneficial owner; and (iii) 166,696,754 Shares held by Sims as beneficial owner. The 153,842,203 underlying Shares comprise (i) 36,500,000 underlying Shares held by Mr. Fang as beneficial owner as referred to in Note 1 above; (ii) 31,266,667 underlying Shares

held by HWH as beneficial owner which fall to be issued to HWH upon full conversion of the Convertible Bonds; (iii) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (iv) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; and (v) 12,638,441 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants. Therefore, Mr. van Ooijen is deemed to be interested in an aggregate of 642,088,222 Shares held by the other parties to an agreement under section 317 of the SFO.

- (7) Mr. Gu Liyong was granted Share Options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme to subscribe for 425,000 Shares and 1,525,000 Shares, respectively.
- (8) Dr. Loke Yu was granted Share Options under the Post-IPO Share Option Scheme to subscribe for 225,000 Shares.
- (9) Ms. Zhang Jingdong was granted Share Options under the Post-IPO Share Option Scheme to subscribe for 225,000 Shares.
- (10) Mr. Li Xikui was granted Share Options under the Post-IPO Share Option Scheme to subscribe for 225,000 Shares.
- (11) The short position in respect of 20,837,095 Shares represent the number of the Option Shares which Delco is obliged to deliver to Sims upon exercise of the Option by Sims. Mr. van Ooijen is deemed to have the same short position as Delco since Delco is indirectly 50%-owned by Mr. van Ooijen. Mr. Fang is also deemed to have the same short position as Delco since Mr. Fang and Delco are parties to an agreement under section 317 of the SFO referred to in Notes 3 and 6 above.
- (12) This represents the principal amount of the Convertible Bonds subscribed by HWH, by virtue of which HWH is deemed to be interested in 31,266,667 underlying Shares as referred to in Notes 2, 3 and 6 above. Mr. Fang is deemed to be interested in the same principal amount of the Convertible Bonds as HWH since HWH is wholly-owned by Mr. Fang.
- (13) This represents the principal amount of the Convertible Bonds subscribed by Delco, by virtue of which Delco is deemed to be interested in 52,100,000 underlying Shares as referred to in Notes 3, 5 and 6 above. Mr. van Ooijen is deemed to be interested in the same principal amount of the Convertible Bonds as Delco since Delco is indirectly 50%-owned by Mr. van Ooijen.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its Associated Corporations which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) (a) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part

XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or (b) were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group:

(i) *Long positions in Shares and underlying Shares:*

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested	Number of underlying Shares interested	Total number of Shares interested	Approximate percentage shareholding in the Company
HWH	Beneficial owner	316,985,265 <i>(Note 1)</i>	31,266,667 <i>(Note 1)</i>	348,251,932	
	Interest in controlled corporations	60,000,000 <i>(Note 1)</i>	–	60,000,000	
	Interest of the other parties to an agreement under section 317 of the SFO	401,656,735 <i>(Note 2)</i>	178,675,536 <i>(Note 2)</i>	580,332,271	
			Total:	<u>988,584,203</u>	94.89
Delco	Beneficial owner	230,395,981 <i>(Note 3)</i>	52,100,000 <i>(Note 3)</i>	282,495,981	
	Interest in controlled corporations	60,000,000 <i>(Note 3)</i>	–	60,000,000	
	Interest of the other parties to an agreement under section 317 of the SFO	488,246,019 <i>(Note 4)</i>	157,842,203 <i>(Note 4)</i>	646,088,222	
			Total:	<u>988,584,203</u>	94.89
Mr. de Leeuw	Interest in controlled corporations	290,395,981 <i>(Notes 3 & 5)</i>	52,100,000 <i>(Notes 3 & 5)</i>	342,495,981	
	Interest of the other parties to an agreement under section 317 of the SFO	488,246,019 <i>(Notes 4 & 5)</i>	157,842,203 <i>(Notes 4 & 5)</i>	646,088,222	
			Total:	<u>988,584,203</u>	94.89

APPENDIX

GENERAL INFORMATION

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested	Number of underlying Shares interested	Total number of Shares interested	Approximate percentage shareholding in the Company
SVO Company B.V. (“SVO”)	Interest in controlled corporations	778,642,000 <i>(Notes 3, 4 & 5)</i>	209,942,203 <i>(Notes 3, 4 & 5)</i>	988,584,203	94.89
H.P.L. Metals B.V. (“HPL”)	Interest in controlled corporations	778,642,000 <i>(Notes 3, 4 & 5)</i>	209,942,203 <i>(Notes 3, 4 & 5)</i>	988,584,203	94.89
Stichting Beheer Aandelen H.P.L. Metals (“Stichting HPL”)	Interest in controlled corporations	778,642,000 <i>(Notes 3, 4 & 5)</i>	209,942,203 <i>(Notes 3, 4 & 5)</i>	988,584,203	94.89
Green Elite	Beneficial owner	60,000,000	–	60,000,000	5.76
Sims	Beneficial owner	166,696,754 <i>(Note 6)</i>	86,075,536 <i>(Note 6)</i>	252,772,290	
	Interest of the other parties to an agreement under section 317 of the SFO	611,945,246 <i>(Note 7)</i>	123,866,667 <i>(Note 7)</i>	735,811,913	
				Total: 988,584,000	94.89
Sims Metal Management China Holdings Limited (“SMM China”)	Interest in controlled corporations	778,642,000 <i>(Notes 6, 7 & 8)</i>	209,942,203 <i>(Notes 6, 7 & 8)</i>	988,584,000	94.89
Sims Asia	Interest in controlled corporations	778,642,000 <i>(Notes 6, 7 & 8)</i>	209,942,203 <i>(Notes 6, 7 & 8)</i>	988,584,000	94.89
SMM	Interest in controlled corporations	778,642,000 <i>(Notes 6, 7 & 8)</i>	209,942,203 <i>(Notes 6, 7 & 8)</i>	988,584,000	94.89

(ii) Short positions in underlying Shares:

Name of Shareholder	Capacity/Nature of Interest	Number of underlying Shares interested	Approximate percentage shareholding in the Company
Delco	Beneficial owner	20,837,095 (Note 9)	2.00
HWH	Interest of the other parties to an agreement under section 317 of the SFO	20,837,095 (Note 9)	2.00
Mr. de Leeuw	Interest in controlled corporations	20,837,095 (Notes 5 & 9)	2.00
SVO	Interest in controlled corporations	20,837,095 (Notes 5 & 9)	2.00
HPL	Interest in controlled corporations	20,837,095 (Notes 5 & 9)	2.00
Stichting HPL	Interest in controlled corporations	20,837,095 (Notes 5 & 9)	2.00
Sims	Interest of the other parties to an agreement under section 317 of the SFO	20,837,095 (Note 9)	2.00
SMM China	Interest in controlled corporations	20,837,095 (Notes 8 & 9)	2.00
Sims Asia	Interest in controlled corporations	20,837,095 (Notes 8 & 9)	2.00
SMM	Interest in controlled corporations	20,837,095 (Notes 8 & 9)	2.00

(iii) Long positions in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group:

Name of the member of the Group	Name of shareholder(s)	Capacity/Nature of Interest	Number of shares/Amount of equity interest held	Approximate percentage shareholding /equity interest
Chiho-Tiande (HK) Metals Recycling Co. Limited	Capitol Ocean Limited	Beneficial owner	10,500,000 shares of HK\$1.00 each	30%
Chiho-Tiande (HK) Logistics Co. Limited	Kwok Suk Ling	Beneficial owner	2,400 shares of HK\$1.00 each	24%
	Chen Maicheng	Beneficial owner	2,400 shares of HK\$1.00 each	24%
天津齊合天地再生資源有限公司 (Tianjin Chiho-Tiande Metal Recycling Company Limited*)	王勤 (Wang Qin*)	Beneficial owner	–	10%
	張友四 (Zhang Yousi*)	Beneficial owner	–	39%
上海齊合天地再生資源有限公司 (Shanghai Chiho-Tiande Recycled Resources Ltd.*)	上海路永金屬有限公司 (Shanghai Luyong Metal Resources Co., Limited*)	Beneficial owner	–	49%

* For identification purposes only

Notes:

- (1) 316,985,265 Shares are held by HWH as beneficial owner. The 31,266,667 underlying Shares represent such number of underlying Shares which fall to be issued to HWH upon full conversion of the Convertible Bonds. Green Elite holds 60,000,000 Shares as beneficial owner and is 50%-owned by each of HWH and Delco and therefore HWH is deemed to be interested in the same number of Shares as held by Green Elite.
- (2) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 401,656,735 Shares comprise (i) 4,564,000 Shares held by Mr. Fang as beneficial owner; (ii) 230,395,981 Shares held by Delco as beneficial owner; and (iii) 166,696,754 Shares held by Sims as beneficial owner. The 178,675,536 underlying Shares comprise (i) 36,500,000 underlying Shares held by Mr. Fang as beneficial owner as referred to in Note 1 to the section "Directors' Disclosure of Interests" above; (ii) 4,000,000 underlying Shares held by Mr. van Ooijen as beneficial owner as referred to in Note 4 to the section "Directors' Disclosure of Interests" above; (iii) 52,100,000 underlying Shares held by Delco as beneficial owner which fall to be issued to Delco upon full conversion of the Convertible Bonds; (iv) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (v) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; and (vi) 12,638,441

underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants. Therefore, HWH is deemed to be interested in an aggregate of 580,332,271 Shares held by the other parties to an agreement under section 317 of the SFO.

- (3) 230,395,981 Shares are held by Delco as beneficial owner. The 52,100,000 underlying Shares represent such number of underlying Shares which fall to be issued to Delco upon full conversion of the Convertible Bonds. Green Elite holds 60,000,000 Shares as beneficial owner and is 50%-owned by each of HWH and Delco and therefore Delco is deemed to be interested in the same number of Shares as held by Green Elite.
- (4) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 488,246,019 Shares comprise (i) 4,564,000 Shares held by Mr. Fang as beneficial owner; (ii) 316,985,265 Shares held by HWH as beneficial owner; and (iii) 166,696,754 Shares held by Sims as beneficial owner. The 157,842,203 underlying Shares comprise (i) 36,500,000 underlying Shares held by Mr. Fang as beneficial owner as referred to in Note 1 to the section "Directors' Disclosure of Interests" above; (ii) 4,000,000 underlying Shares held by Mr. van Ooijen as beneficial owner as referred to in Note 4 to the section "Directors' Disclosure of Interests" above; (iii) 31,266,667 underlying Shares held by HWH as beneficial owner which fall to be issued to HWH upon full conversion of the Convertible Bonds; (iv) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (v) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; and (vi) 12,638,441 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants. Therefore, Mr. van Ooijen is deemed to be interested in an aggregate of 646,088,222 Shares held by the other parties to an agreement under section 317 of the SFO.
- (5) Delco is 50%-owned by each of SVO and HPL. SVO is wholly-owned by Mr. van Ooijen. HPL is wholly-owned by Stichting HPL, a foundation for the sole benefit of Mr. de Leeuw. Therefore, each of SVO, Mr. van Ooijen, Mr. de Leeuw, HPL and Stichting HPL is deemed to be interested in the long positions and short positions held by and through Delco.
- (6) 166,696,754 Shares are held by Sims as beneficial owner. The 86,075,536 underlying Shares comprise (i) 20,837,095 underlying Shares held by Sims as beneficial owner which Delco is obliged to deliver to Sims upon exercise of the Option by Sims; (ii) 52,600,000 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Convertible Bonds; and (iii) 12,638,441 underlying Shares held by Sims as beneficial owner which fall to be issued to Sims upon full conversion of the Warrants.
- (7) Mr. Fang, Mr. van Ooijen, Mr. de Leeuw, HWH, Delco, Sims and Sims Asia are considered having entered into an agreement under section 317 of the SFO. The 611,945,246 Shares comprise (i) 4,564,000 Shares held by Mr. Fang as beneficial owner; (ii) 316,985,265 Shares held by HWH as beneficial owner; (iii) 230,395,981 Shares held by Delco as beneficial owner; and (iv) 60,000,000 Shares held by Green Elite as beneficial owner. The 123,866,667 underlying Shares comprise (i) 36,500,000 underlying Shares held by Mr. Fang as beneficial owner as referred to in Note 1 to the section "Directors' Disclosure of Interests" above; (ii) 4,000,000 underlying Shares held by Mr. van Ooijen as beneficial owner as referred to in Note 4 to the section "Directors' Disclosure of Interests" above; (iii) 31,266,667 underlying Shares held by HWH as beneficial owner which fall to be issued to HWH upon full conversion of the Convertible Bonds; and (iv) 52,100,000 underlying Shares held by Delco as beneficial owner which fall to be issued to Delco upon full conversion of the Convertible Bonds. Therefore, Sims is deemed to be interested in an aggregate of 735,811,913 Shares held by the other parties to an agreement under section 317 of the SFO.
- (8) Sims is a wholly-owned subsidiary of SMM China, which in turn is a wholly-owned subsidiary of Sims Asia. Sims Asia is a wholly-owned subsidiary of SMM. Therefore, each of SMM, SMM China and Sims Asia is deemed to be interested in the long positions and short positions held by and through Sims.

- (9) The short position in respect of 20,837,095 Shares represent the number of the Option Shares which Delco is obliged to deliver to Sims upon exercise of the Option by Sims.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no other person (who was not a Director or chief executive of the Company) (a) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or (b) was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group.

As at the Latest Practicable Date:

- (i) Mr. Fang was the sole director of HWH;
- (ii) Mr. Fang and Mr. Gu Liyong were directors of Green Elite;
- (iii) Mr. van Ooijen was the sole director of SVO; and
- (iv) Mr. Michael Charles Lion was a director of Sims, Sims Asia and SMM China.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company (or its subsidiary) which had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTEREST IN ASSETS OF THE GROUP, CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, no Director was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group taken as a whole.

Since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, none of the Directors has or has had any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered having interests in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which are contained in this circular:

Name	Qualification
Guangdong Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion prepared for the purpose of incorporation in this circular, and the references to its name and opinion in the form and context in which they respectively appear.

Guangdong Securities has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interests in any assets which have since 31 December 2010 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group.

8. NO MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 27 March 2012 in relation to the annual results of the Company for the year ended 31 December 2011, the Group recorded a net profit attributable to the owners of the Company of HK\$152.1 million, representing a decrease of approximately 56.9% as compared with the previous year. The main reasons for the reduction in net profit were due to a significant drop in the global commodity price in the last quarter of 2011 and “mark-to-market” basis for provision for inventories and revaluation for financial instruments held by the Group.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Company have been made up.

9. MISCELLANEOUS

- (a) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.
- (b) Amounts denominated in US\$ in this circular have been converted into HK\$ at the rate of US\$1 = HK\$7.8 for illustration purposes.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Existing Master Purchase Agreement and the New Master Purchase Agreement are available for inspection during normal business hours at any weekday (public holidays excepted) at the principal place of business of the Company in Hong Kong at 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong up to and including the date of the EGM.

NOTICE OF EGM



CHHO-TIANDE GROUP LIMITED 齊合天地集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 976)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Chiho-Tiande Group Limited (the “**Company**”) will be held at Level 2, 48 Wang Lok Street, Yuen Long Industrial Estate, Hong Kong on Thursday, 24 May 2012 at 2:30 p.m. (or so soon thereafter as the annual general meeting of the Company convened on the same date and at the same place at 2:00 p.m. shall have been concluded) or any adjournment thereof for the purpose of considering, and if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

- (1) “**THAT** the grant of share options (the “**Share Options**”) to Mr. Fang Ankong (“**Mr. Fang**”), an executive director (“**Director**”) of the Company and a controlling shareholder (as defined in the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited) of the Company, to subscribe for 16,500,000 shares (the “**Shares**”) of HK\$0.01 each in the capital of the Company at an exercise price of HK\$4.186 per Share under the post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) adopted by the Company on 23 June 2010 and on such other terms as the Directors consider appropriate be and is hereby approved **AND THAT** the Directors be and are hereby authorised to do all such acts and execute all such documents as may be necessary, desirable or expedient to give full effect to the grant of the Share Options to Mr. Fang and the issue of Shares upon exercise of the Share Options by Mr. Fang.”
- (2) “**THAT** the grant of Share Options to Mr. Stephanus Maria van Ooijen (“**Mr. van Ooijen**”), an executive Director and a controlling shareholder of the Company, to subscribe for 2,000,000 Shares at an exercise price of HK\$4.186 per Share under the Post-IPO Share Option Scheme and on such other terms as the Directors consider appropriate be and is hereby approved **AND THAT** the Directors be and are hereby authorised to do all such acts and execute all such documents as may be necessary, desirable or expedient to give full effect to the grant of the Share Options to Mr. van Ooijen and the issue of Shares upon exercise of the Share Options by Mr. van Ooijen.”
- (3) “**THAT** the master purchase agreement (the “**New Master Purchase Agreement**”) dated 28 March 2012 entered into between the Company and Sims Metal Management Asia Limited (“**Sims Asia**”) in respect of the purchase of metal scrap by the relevant member(s) of Sims Asia and its subsidiaries from the relevant

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member(s) of the Company and its subsidiaries during the term (the “**Term**”) between 1 June 2012 and 31 May 2015 (a copy of which is produced to this meeting and marked “A” and initialed by the Chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder or incidental thereto subject to the proposed annual caps for the relevant periods during the Term set out therein be and are hereby approved, confirmed and ratified, **AND THAT** the Directors be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection or to implement and/or to give effect to the New Master Purchase Agreement and the transactions contemplated thereunder.”

By order of the Board
Chiho-Tiande Group Limited
Fang Ankong
Chairman

Hong Kong, 24 April 2012

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

48 Wang Lok Street
Yuen Long Industrial Estate
Hong Kong

Notes:

- (1) A member entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
- (3) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited at Computershare Hong Kong Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting or any adjournment thereof and in such event, the form of proxy will be deemed to be revoked.

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- (4) The register of members of the Company will be closed from Tuesday, 22 May 2012 to Thursday, 24 May 2012, both dates inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 21 May 2012.
- (5) Shareholders are advised to read the circular to the shareholders of the Company dated 24 April 2012 which contains information concerning the resolutions to be proposed in this notice.
- (6) Pursuant to Rule 17.04(1) of the Listing Rules, all connected persons (as defined in the Listing Rules) of the Company are required to abstain from voting in favour of ordinary resolutions numbered (1) and (2). Furthermore, pursuant to Rule 17.03(4) of the Listing Rules, Mr. Fang Ankong and his associates (as defined in the Listing Rules) are required to abstain from voting on ordinary resolution numbered (1). In addition, pursuant to Rule 14A.54 of the Listing Rules, Sims Metal Management Dragon Holdings Limited and its associates are required to abstain from voting on ordinary resolution numbered (3).
- (7) According to Rule 13.39(4) of the Listing Rules, any vote of shareholders of the Company at a general meeting of the Company must be taken by poll. Accordingly, the Chairman of the Meeting will exercise his power under the articles of association of the Company to demand a poll in relation to the proposed ordinary resolutions at the Meeting.

As at the date of this notice, the Board of Directors of the Company comprises:

<i>Executive Directors:</i>	Fang Ankong, Stephanus Maria van Ooijen, Gu Liyong
<i>Non-executive Director:</i>	Michael Charles Lion
<i>Independent non-executive Directors:</i>	Loke Yu, Li Xikui, Zhang Jingdong